

Message Text

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ORIGIN STR-02

INFO OCT-01 SS-14 ISO-00 DODE-00 EB-04 INR-05 L-01
OMB-01 PRS-01 SP-02 TRSE-00 INRE-00 NSCE-00 SSO-00
STRE-00 /031 R

DRAFTED BY STR/SLANDE/MFD
APPROVED BY STR/AWOLFF
STATE/EHEGINBOTHAM
COM/FMONTGOMERY (SUBS)
STR/GFEKETEKUTY
TREAS/JRAY
STATE/WBARRACLOUGH
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-----062881 060338Z /70
O R 060304Z DEC 77
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE
INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 290287

LIMDIS, USMTN

E.O. 11652: N/A

TAGS: ETRD, JA,US

SUBJECT: TRADE ASPECTS OF GOJ PACKAGE

1. FOLLOWING POINTS SHOULD BE BROUGHT TO GOJ ATTENTION TO
MAXIMIZE POSSIBILITY THAT JAPANESE PROPOSAL ON TRADE WILL
BE ACCEPTABLE.

2. SINCE MOST CONCRETE AREA OF PACKAGE IS TRADE, THIS AREA
MUST BE SUBSTANTIAL TO ASSURE APPROPRIATE IMPACT. INDICA-
TIONS, WHICH WE HAVE RECEIVED UNTIL NOW, ARE THAT TRADE
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ASPECTS WILL BE INSUFFICIENT IN VIEW OF SCARCITY OF MEAN-
INGFUL CONCESSIONS.

(A) ALTHOUGH OTHER ASPECTS OF TRADE PACKAGE SUCH AS
MTN STATEMENT MAY BE MORE IMPORTANT, PUBLIC REACTION WILL
FOCUS ON ADVANCE TARIFF REDUCTIONS. USG POSITION REMAINS
THAT TO HAVE DESIRED IMPACT, THERE MUST BE DEEP TARIFF CUTS

OVER A BROAD PRODUCT RANGE.

(B) TARIFF CUTS SHOULD ELIMINATE SUBSTANTIAL TARIFF DISPARITIES WHERE THEY EXIST (E.G. FILM, COMPUTERS).

(C) WHERE DISPARITIES NOT THE PROBLEM, TARIFF CUTS SHOULD BE BASED ON APPLICATION OF SWISS FORMULA TO APPLIED RATES AND IMPLEMENTED IMMEDIATELY.

(D) NOTHING THAT WE HAVE SEEN INDICATES THAT GOJ IS IN ANY WAY CONTEMPLATING SUCH REDUCTIONS. STRICT APPLICATION OF CRITERIA IN GOJ NON-PAPER FOR SELECTING PRODUCTS, EXCLUSION OF LOW DUTY ITEMS (WHERE U.S. AND EC RATES ARE HIGHER THAN JAPANESE RATES) AND SENSITIVE HIGH DUTY ITEMS, MAY MAKE IMPOSSIBLE ADEQUATE TARIFF PACKAGE. IT IS NOT POSSIBLE TO HAVE SUFFICIENT IMPACT IF MANY HIGH DUTIES ARE NOT REDUCED DUE TO SENSITIVITY AND MANY LOW DUTIES ARE NOT REDUCED SINCE THEY ARE BELOW US OR EC RATES.

3. LATE INFORMATION FROM TRADE INDICATES THAT FOLLOWING PAPER PRODUCTS INADVERTENTLY EXCLUDED ON LIST OF U.S. SUGGESTIONS FOR TARIFF REDUCTIONS. WOULD APPRECIATE JAPANESE ANALYSIS OF POSSIBLE REDUCTIONS ON FOLLOWING PRODUCTS:

(A) UNBLEACHED KRAFT PAPERBOARD
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(B) SOLID BLEACHED SULPHATE KRAFT PAPERBOARD (BOTH CLAY COATED AND POLYCOATED)

(C) NEWSPRINT

4. ON QR'S, WE STILL BELIEVE MAXIMUM IMPACT THROUGH THEIR COMPLETE ELIMINATION, OR, AT LEAST, ANNOUNCEMENT OF SCHEDULE FOR ELIMINATION. AN ALTERNATIVE TO ELIMINATION, WHICH WOULD BE OF VALUE BUT BE OF MUCH LESS IMPACT WOULD BE VERY SUBSTANTIAL LIBERALIZATION OF INDIVIDUAL QUOTA OF SPECIAL INTEREST TO U.S. AS IDENTIFIED ON MTN REQUEST LIST. IN THIS REGARD, WE HOPE USHIBA WOULD BE ABLE TO PROVIDE EXPLANATION OF NON-PAPER PROPOSAL FOR INCREASE IN VALUE TERMS OF \$150 MILLION IN TOTAL QUOTA AND REARRANGEMENT OF AGRICULTURAL AND FISHERY QUOTA TO INCREASE BY ABOUT \$130 MILLION.

5. WE BELIEVE IT PARTICULARLY IMPORTANT THAT THERE BE IMMEDIATE VISIBLE JAPANESE STEPS TO OPEN PROCUREMENT IN COMPUTER, POWER, TRANSPORTATION AND COMMUNICATIONS. WHILE WE APPRECIATE JAPANESE SUPPORT OF GOVERNMENT PROCUREMENT

CODE, WE BELIEVE MORE CONCRETE ACTION IS REQUIRED NOW.

6. WE HOPE GOJ COULD CONSIDER CONCRETE ACTION ON STANDARDS IN AREAS OF INTEREST TO U.S. ALONG LINE OF U.S. SUGGESTIONS.

7. MTN TARIFF COMMITMENTS SHOULD BE SPELLED OUT MORE SPECIFICALLY. WHAT IS MEANT BY DEEPER THAN FORMULA CUTS WHERE NECESSARY. WILL THESE CUTS BE TO COUNTERBALANCE EXCEPTIONS? WE EXPECT JAPAN TO APPLY SWISS FORMULA TO APPLIED RATE. AVERAGE LEVEL OF GOJ BOUND TARIFFS SHOULD

NOT EXCEED ON AVERAGE US AND EC LEVELS AT END OF IMPLEMENTATION OF MTN. NOTE:U.S. STATUTORY MANDATE FOR MTN CALLS FOR "SUBSTANTIALLY EQUIVALENT COMPETITIVE OPPORTUNITIES"
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TIES" TO BE ACHIEVED IN EACH PRODUCT SECTOR WHEN COMPARISON IS MADE TO U.S. SECTOR TAKING INTO ACCOUNT BOTH TARIFFS AND NON-TARIFF BARRIERS.

8. WE WOULD LIKE TO DISCUSS DETAIL OF MTN STATEMENT IN WASHINGTON WITH USHIBA TO ASSURE MAXIMUM IMPACT OF STATEMENT. ONE POSSIBILITY IS FOR JAPAN TO AGREE TO MAKE UTMOST EFFORT TO ASSURE SUCCESSFUL CONCLUSION OF MTN.

9. USG COULD ACCEPT GOJ CONTENTION THAT NUMERICAL COMMITMENT FOR MANUFACTURED IMPORTS MAY NOT BE FEASIBLE. HOWEVER, PRESENT FORMULATION FALLS SHORT OF DESIRED IMPACT. LOW LEVEL OF JAPANESE IMPORT OF MANUFACTURE IS CAUSED BY FORMAL AND INFORMAL BARRIERS TO IMPORTS AS WELL AS THE ECONOMIC FACTORS CITED IN THE NON-PAPER. ALTHOUGH BUOYANT ECONOMIC CONDITIONS IN JAPAN WILL FACILITATE GROWTH IN IMPORT OF MANUFACTURERS, GOVERNMENT MEASURES CAN FACILITATE INCREASE EVEN IN LESS BUOYANT TIMES. TO ASSURE DRAMATIC IMPACT, WE SUGGEST THAT GOJ GIVE ASSURANCES THAT JAPAN WILL IMPLEMENT MEASURES TO ASSURE STEADY INCREASES IN THE TOTAL VALUE OF MANUFACTURED IMPORTS BY JAPAN AS WELL AS THE SHARE OF THESE IMPORTS AGAINST TOTAL JAPANESE DEMAND. THE GOJ WILL REVIEW TOGETHER WITH THE USG THE TREND OF AN INCREASE IN MANUFACTURED IMPORTS IN THE TFC OR OTHER APPROPRIATE FORA FROM THE STANDPOINT OF THE DEVELOPMENT OF US/JAPANESE TRADE AND WHERE A SLUGGISH GROWTH OF MANUFACTURED IMPORTS CAN BE TRACED TO JAPANESE BARRIERS OR WHERE OTHERWISE APPROPRIATE CORRECTIVE ACTIONS WILL BE TAKEN. NOTE:EXCEPT WHERE US PROPOSES MODIFICATIONS, LANGUAGE IN THIS PARAGRAPH TRACKS LANGUAGE IN JAPANESE NON-PAPER. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Dec-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE290287
Document Source: CORE
Document Unique ID: 00
Drafter: SLANDE/MFD
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770451-0548
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19771287/aaaacwed.tel
Line Count: 166
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4e73a70a-c288-dd11-92da-001cc4696bcc
Office: ORIGIN STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 341956
Secure: OPEN
Status: NATIVE
Subject: TRADE ASPECTS OF GOJ PACKAGE
TAGS: ETRD, JA, US
To: TOKYO
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4e73a70a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009